

Audited  
Consolidated  
Financial  
Statements

June 30, 2019

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**PENNSYLVANIA  
DOWNTOWN CENTER, INC.**

## CONTENTS

	PAGE
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 - 2
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
Consolidated statements of financial position	3
Consolidated statements of activities	4
Consolidated statements of functional expenses	5 - 6
Consolidated statements of cash flows	7
Notes to the consolidated financial statements	8 - 16
<b>CONSOLIDATING INFORMATION</b>	
Consolidating schedule – statement of financial position as of June 30, 2019	17
Consolidating schedule – statement of financial position as of June 30, 2018	18
Consolidating schedule – statement of activities for the year ended June 30, 2019	19
Consolidating schedule – statement of activities for the year ended June 30, 2018	20
Consolidating schedule – statement of cash flows for the year ended June 30, 2019	21
Consolidating schedule – statement of cash flows for the year ended June 30, 2018	22



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Pennsylvania Downtown Center, Inc.  
Harrisburg, Pennsylvania

### ***REPORT ON THE FINANCIAL STATEMENTS***

We have audited the accompanying consolidated financial statements of Pennsylvania Downtown Center, Inc. (a nonprofit organization) and Keystone Core Services, Inc. (a subsidiary), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion of these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

## ***Opinion***

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pennsylvania Downtown Center, Inc. and subsidiary as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Effect of Adopting New Accounting Standard***

As discussed in Note 1 to the financial statements, the Center adopted new accounting guidance, Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities. There were no material modifications made to the accompanying financial statements with respect to this matter.

## ***Other Matter***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules on pages 16 through 21 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of activities, and cash flows of the individual entities, and they are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Smith Elliott Keown & Company, LLC*

Carlisle, Pennsylvania  
October 21, 2019

**PENNSYLVANIA DOWNTOWN CENTER, INC.**  
**Consolidated Statements of Financial Position**  
**June 30, 2019 and 2018**

	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 430,088	\$ 415,770
Grants and other receivables	149,388	160,646
Prepaid expenses	13,155	17,345
Total current assets	<u>592,631</u>	<u>593,761</u>
<b>Other Assets</b>		
Cash and cash equivalents - grantor payable (Note 9)	76,955	86,534
Loans receivable (Note 9)	113,799	128,457
Finance lease right-of-use asset, net	8,750	7,875
Property and equipment, net	16,910	8,527
Total other assets	<u>216,414</u>	<u>231,393</u>
<b>TOTAL ASSETS</b>	<u>\$ 809,045</u>	<u>\$ 825,154</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Vehicle loan payable - current	\$ 2,719	\$ 2,683
Finance lease liability -current	1,703	1,608
Accounts payable and accrued expenses	27,976	23,141
Accrued payroll and vacation	5,476	5,284
Deferred membership fees	28,950	24,325
Deferred C.R.C. workshops' revenue	3,390	3,390
Deferred revenue	64,158	35,742
Deferred contracts	-	5,217
Grantor payable (Note 9)	76,955	101,192
Total Current Liabilities	<u>211,327</u>	<u>202,582</u>
<b>Long-Term Liabilities</b>		
Finance lease liability	4,541	6,245
Vehicle loan payable	1,384	4,071
Grantor payable (Note 9)	113,799	113,799
	<u>119,724</u>	<u>124,115</u>
<b>Total Liabilities</b>	<u>331,051</u>	<u>326,697</u>
<b>Net Assets</b>		
Without donor restriction	475,994	497,457
With donor restriction	2,000	1,000
Total net assets	<u>477,994</u>	<u>498,457</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 809,045</u>	<u>\$ 825,154</u>

**PENNSYLVANIA DOWNTOWN CENTER, INC.**  
**Consolidated Statements of Activities**  
**Years ended June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>NET ASSETS WITHOUT DONOR RESTRICTION</b>		
<b>SUPPORT AND REVENUE</b>		
Grant revenue	\$ 476,009	\$ 493,452
Loan forgiveness revenue	14,658	52,461
Conferences	90,266	72,788
Memberships	43,687	40,933
Contributions	1,937	1,170
Workshops	5,675	4,315
Miscellaneous	839	4,204
Service revenue	64,215	36,546
Rent	-	2,400
Investment income	155	97
Total support and revenue	<u>697,441</u>	<u>708,366</u>
<b>EXPENSES</b>		
Community development programs	565,704	591,917
General and administrative	152,539	113,253
Fundraising	661	6,471
Total expenses	<u>718,904</u>	<u>711,641</u>
Change in net assets without donor restriction	(21,463)	(3,275)
<b>NET ASSETS WITH DONOR RESTRICTION</b>		
Contribution	<u>1,000</u>	<u>1,000</u>
Change in net assets with donor restriction	<u>1,000</u>	<u>1,000</u>
Change in net assets	(20,463)	(2,275)
<b>NET ASSET, BEGINNING OF YEAR</b>	<u>498,457</u>	<u>500,732</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 477,994</u>	<u>\$ 498,457</u>

**PENNSYLVANIA DOWNTOWN CENTER, INC.**  
**Consolidated Statement of Functional Expenses**  
**Year ended June 30, 2019**

	<b>Community Development Programs</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Auto & travel	\$ 35,769	\$ 10,595	\$ 49	\$ 46,413
Conferences	2,554	757	4	3,315
Depreciation	5,450	1,614	7	7,071
Insurance	4,855	1,438	7	6,300
Interest	422	124	1	547
Loan forgiveness	14,658	-	-	14,658
Memberships & dues	4,118	1,220	6	5,344
Miscellaneous	3,476	1,029	4	4,509
Occupancy	17,697	5,242	24	22,963
Office expense	4,522	1,339	6	5,867
Payroll taxes & benefits	60,937	18,050	84	79,071
PDC/NMSC conferences	65,704	-	-	65,704
Postage	508	151	1	660
Printing	5,099	1,510	7	6,616
Professional fees	51,503	22,756	71	74,330
Salaries	254,973	78,406	350	333,729
Supplies	17,838	5,284	24	23,146
Telephone	10,209	3,024	16	13,249
Training	5,412	-	-	5,412
<b>TOTAL EXPENSES</b>	<b>\$ 565,704</b>	<b>\$ 152,539</b>	<b>\$ 661</b>	<b>\$ 718,904</b>

**PENNSYLVANIA DOWNTOWN CENTER, INC.**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2018**

	<b>Community Development Programs</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Auto & travel	\$ 21,625	\$ 5,489	\$ 315	\$ 27,429
Conferences	891	226	13	1,130
Depreciation	1,954	496	28	2,478
Insurance	5,299	1,345	77	6,721
Interest	298	76	4	378
Loan forgiveness	52,461	-	-	52,461
Memberships & dues	9,882	2,508	143	12,533
Miscellaneous	6,451	1,637	94	8,182
Occupancy	16,683	4,235	243	21,161
Office expense	4,277	1,086	62	5,425
Payroll taxes & benefits	58,821	14,930	855	74,606
PDC/NMSC conferences	72,193	-	-	72,193
Postage	1,336	339	19	1,694
Printing	3,611	917	53	4,581
Professional fees	37,804	9,896	550	48,250
Salaries	256,125	65,012	3,725	324,862
Supplies	10,232	2,597	149	12,978
Telephone	9,708	2,464	141	12,313
Training	2,266	-	-	2,266
Program grants	20,000	-	-	20,000
<b>TOTAL EXPENSES</b>	<b>\$ 591,917</b>	<b>\$ 113,253</b>	<b>\$ 6,471</b>	<b>\$ 711,641</b>



**PENNSYLVANIA DOWNTOWN CENTER, INC.**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (20,463)	\$ (2,275)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	7,071	2,478
(Increase) decrease in:		
Grants and other receivables	3,121	150,129
Prepaid expenses	4,190	(12,368)
Increase (decrease) in:		
Accounts payable and accrued expenses	12,972	(17,418)
Accrued payroll and vacation	192	(1,189)
Deferred membership fees	4,625	3,775
Deferred contract revenue	(5,217)	5,217
Deferred revenue	28,416	35,742
Grantor payable	(9,579)	20,077
Net cash provided by operating activities	<u>25,328</u>	<u>184,168</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(16,329)</u>	<u>(9,176)</u>
Net cash used by investing activities	<u>(16,329)</u>	<u>(9,176)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan payable	-	8,050
Payment on vehicle loan	(2,651)	(1,296)
Payment on finance lease liability	<u>(1,609)</u>	<u>(897)</u>
Net cash provided (used) by financing activities	<u>(4,260)</u>	<u>5,857</u>
Net increase in cash	4,739	180,849
<b>CASH, BEGINNING</b>	<u>502,304</u>	<u>321,455</u>
<b>CASH, ENDING</b>	<u>\$ 507,043</u>	<u>\$ 502,304</u>
Cash and cash equivalents	\$ 430,088	\$ 415,770
Cash and cash equivalents - grantor payable	<u>76,955</u>	<u>86,534</u>
Total cash and cash equivalents	<u>\$ 507,043</u>	<u>\$ 502,304</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	<u>\$ 547</u>	<u>\$ 378</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
<i>Non-cash loan forgiveness</i>		
Loans forgiven by grantor	<u>\$ (14,658)</u>	<u>\$ (52,461)</u>
Loans forgiven by grantee	<u>\$ 14,658</u>	<u>\$ 52,461</u>
<i>Non-cash purchases of property and equipment</i>		
Finance right-of-use asset	<u>\$ -</u>	<u>\$ 8,050</u>
Finance lease liability	<u>\$ -</u>	<u>\$ (8,050)</u>

**PENNSYLVANIA DOWNTOWN CENTER, INC.**  
**Notes to Consolidated Financial Statements**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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***Nature of Activities***

Pennsylvania Downtown Center, Inc. (the Center), was incorporated on June 15, 1987. The goals of the Center are to encourage development, redevelopment, and improvement of downtown areas within the cities and towns of Pennsylvania. These goals are pursued through seminars and educational programs, member forums, promotion, implementation of comprehensive legal and financing techniques, and the acquisition and use of grants for educating downtown groups on architectural design and rehabilitation.

Keystone Core Services, Inc., (KCS) a subsidiary and wholly controlled organization of the Center, was organized in 2009 for the purpose of acting as a redevelopment partner for the reclamation and rehabilitation of blighted and deteriorated properties in which the private sector has not reinvested or redeveloped. This community-based real estate intervention process operates in communities where it has been invited to partner with a local revitalization organization.

***Principles of Consolidation***

The accompanying consolidated financial statements include the accounts of the Center and KCS, which are consolidated due to substantial ownership and control by the Center. All significant intercompany accounts and transaction have been eliminated in the consolidation.

***Basis of Accounting***

The consolidated financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

***Change in Accounting Principles***

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities; *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements for 2019 and 2018 accordingly.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, if any, at the date of the consolidated financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Cash and Cash Equivalents***

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less and are included in the caption cash and cash equivalents on the consolidated statements of financial position.

***Property and Equipment***

Property and equipment are recorded at cost or estimated fair market value on the date of purchase or donation, respectively. Depreciation is provided over the estimated useful lives of the assets by using the straight-line method. Gains and losses resulting from the sale or retirement of property and equipment are included in the consolidated statements of activities. Expenditures for maintenance and repairs are charged to expense as incurred. Significant renewals, improvements, and betterments of fixed assets are capitalized.

Property and equipment are being depreciated over the following periods:

Furniture and equipment	3-7 years
Vehicles	5 years
Leasehold improvements	7-15 years

Depreciation expense for the years ended June 30, 2019 and 2018 was \$ 7,071 and \$ 2,479, respectively.

The Organization's policy is to capitalize property and equipment expenditures of \$ 500 or more.

***Net Assets***

Net assets of the Organization and changes therein are classified and reported as follows:

***Net assets without donor restriction*** – Net assets that are not subject to donor-imposed stipulations.

***Net assets with donor restriction*** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time and net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization.

***Accrued Vacation***

Employees are permitted to carry over a pre-determined maximum number of unused vacation days from one fiscal year to the next. Employees will receive payment for their unused vacation, up to that maximum, upon termination. The Organization has established a liability for unused vacation based on the aggregate maximum per employee.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Income Taxes***

The Center and KCS are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and are considered to be public charities. In addition, they were organized under the Pennsylvania Nonprofit Corporation Law and are exempt from state income taxes. The Organizations each file Form 990, "Return of Organization Exempt from Income Tax." The Forms 990 are generally subject to examination for a period of three years after the returns are filed.

***Contributions***

Contributions received are recorded as net assets without restriction or net assets with restriction support, depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restriction. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

***Allocation of Functional Expenses***

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon management's judgment and past experience. Supporting services consist of management and general and fundraising expenses.

***Grants and Other Receivables***

The Organization carries receivables at cost. Receivables are generally considered collectible based on an evaluation by management and consequently no allowance has been established. The Organization does not charge interest on outstanding receivables and records bad debts when a specific item is determined to be uncollectible and written off.

**PENNSYLVANIA DOWNTOWN CENTER, INC.****Notes to Consolidated Financial Statements**

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**NOTE 2     FIXED ASSETS**

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Fixed assets as of June 30, 2019 and 2018 are summarized as follows:

	<b>2019</b>	<b>2018</b>
Furniture and equipment	\$ 67,493	\$ 51,820
Vehicles	31,025	48,400
Leasehold improvements	<u>1,650</u>	<u>1,650</u>
	100,168	101,870
Less: Accumulated depreciation	<u>(83,258)</u>	<u>(93,343)</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b><u>\$ 16,910</u></b>	<b><u>\$ 8,527</u></b>

**NOTE 3     DEFERRED REVENUE**

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***Deferred Membership Fees***

Memberships are recognized as revenue in the year in which the membership applies. Deferred membership fees represent fees that have been received in advance. Deferred membership fees were \$ 28,950 and \$ 24,325 at June 30, 2019 and 2018, respectively.

***Deferred C.R.C. Workshops Revenue***

The Organization assists communities with organizational development by consolidating multiple groups of non-profit organizations into single organizations. Deferred C.R.C. workshops revenue was \$ 3,390 at June 30, 2019 and 2018.

***Deferred Revenue***

The Organization was awarded a grant from the Department of Conservation and Natural Resources in 2016 and received advance payments during the 2019 and 2018 fiscal years. Deferred revenue was \$ 64,158 at June 30, 2019 and \$ 35,742 at June 30, 2018.

***Deferred Contracts Revenue***

The Organization entered into a contract with Guthrie Clinic in February 2018. Deferred contracts revenue was \$ 5,217 at June 30, 2018 relating to a payment received from the clinic when services had not yet been provided.

**PENNSYLVANIA DOWNTOWN CENTER, INC.**  
**Notes to Consolidated Financial Statements**

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**NOTE 4 NOTE PAYABLE AND LINE OF CREDIT**

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During 2018, the Center borrowed \$ 8,050 to purchase a vehicle. The interest rate on the note is 2.49% and requires payments of principal and interest of \$ 232 through December 25, 2020, the maturity date. The balance on the loan was is \$ 4,071 and \$ 6,754 at June 30, 2019 and 2018, respectively. The loan is collateralized by a vehicle with a carrying value of \$ 6,423.

The schedule of principal payments on the note at June 30, 2019 is as follows:

2020	\$ 2,719
2021	<u>1,384</u>
	<u>\$ 4,103</u>

The Organization maintains a \$ 40,000 line of credit with a financial institution. The line is unsecured and expires in February 2019. The line of credit bears interest at the bank's prime rate plus 1.75%. As of June 30, 2019 and 2018, there were no amounts outstanding on the line of credit and no interest was paid during these years.

**NOTE 5 RETIREMENT EXPENSE**

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The Organization maintains a SIMPLE retirement plan for eligible employees and matches contributions on wages up to 3% of gross wages. Retirement expense totaled \$ 7,641 and \$ 6,144 for the years ended June 30, 2019 and 2018, respectively.

**NOTE 6 GRANTS**

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The Organization received approximately 64% and 49% of its total support and revenue in the form of grants from the Department of Community and Economic Development for the years ended June 30, 2019 and 2018, respectively. The grants are designated to accomplish specific objectives outlined in the grants' scopes of services. A significant reduction in the level of government grants, if this were to occur, may have a major impact on the Organization's programs and activities.

Grant amounts received and not spent at June 30 are reported as deferred grant revenue. Amounts spent and not received are reported as grants receivable.

**NOTE 7 CONCENTRATIONS OF CREDIT RISK**

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The Organization maintains cash at a local financial institution. During the course of the year, these funds may periodically exceed limits insured by the Federal Deposit Insurance Corporation. Management considers this to be a normal business risk.

**PENNSYLVANIA DOWNTOWN CENTER, INC.****Notes to Consolidated Financial Statements**

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**NOTE 8 LEASES**

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The Organization entered into various month-to-month leases under which total rent expense for the years ended June 30, 2019 and 2018 was \$ 15,600 and \$ 16,394 respectively.

The Organization entered into a finance lease agreement with Fraser Advanced Information Systems to lease a copier for five years. The lease requires sixty monthly payments of \$ 576. The incremental borrowing rate of the Organization is 5.75%. The lease agreement is for the underlying asset's entire five-year life and is classified as a finance lease under Accounting Standards Update No. 2016-02. The cost of the right-to-use asset was \$ 8,750. Total amortization and interest expense for the year ended June 30, 2019 was \$ 1,608 and \$ 410, respectively.

Future minimum finance lease payments, assuming no change in current terms, are as follows as of June 30, 2019:

	<u>Total annual payments</u>
2020	\$ 6,912
2021	6,912
2022	6,912
2023	2,884
Total	23,620
Less service component	(16,728)
Less interest portion	(648)
Total lease liability	<u>\$ 6,244</u>

**NOTE 9 HOUSING ASSISTANCE PROJECT/LOANS RECEIVABLE/GRANTOR PAYABLE**

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During the year ended June 30, 2007, the Organization began giving assistance in the form of loans to purchasers and owners of homes in certain Elm Street Communities as part of the Elm Street Demonstration project. The Organization has agreements with organizations within the communities to facilitate the program. The Organization is assisting eligible individuals with down payments and closing costs and rehabilitation costs. The maximum amount of assistance given for the down payment and closing costs is 20% of the selling price up to \$ 20,000 and the maximum for the rehabilitation costs is \$ 40,000 per house. No single homeowner can receive more than \$ 40,000 of assistance in total. The Organization obtains a second mortgage on properties for which it provides assistance.

The loans for rehabilitation costs are forgiven at 20% per year in years six through ten (i.e. 100% of the assistance is due to be repaid in years one through five if the property is sold). The loans for down payment assistance costs are not forgiven. If the homeowner sells their property prior to or during the forgiveness period, the unforgiven portion of funds must be returned to the Organization. In turn, the Organization must notify the Grantor that the funds have been returned and the Grantor will decide, on a case-by-case basis, if the funds need to be returned to the Grantor by the Organization.

**PENNSYLVANIA DOWNTOWN CENTER, INC.**  
**Notes to Consolidated Financial Statements**

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**NOTE 9 HOUSING ASSISTANCE PROJECT/LOANS RECEIVABLE/GRANTOR PAYABLE (CONTINUED)**

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As the loans are forgiven by the Organization, as described above, the Organization will recognize an expense on the Consolidated Statements of Activities and a reduction in loans receivable, along with recognizing revenue and a reduction of grantor payable.

The Organization maintains both a loan receivable (from the homeowners) and a grantor payable on the Consolidated Statements of Financial Position for the total amount of unforgiven funds. At June 30, 2019 and 2018, the Organization had the following balances in these accounts:

	<b>Loans Receivable</b>	<b>Cash on Hand</b>	<b>Grantor Payable</b>
Balance as of June 30, 2017	\$ 200,918	\$ 66,457	\$ 267,375
Loans forgiven	(52,461)	-	(52,461)
Payments/fees received	<u>(20,000)</u>	<u>20,077</u>	<u>77</u>
Balance as of June 30, 2018	<u>128,457</u>	<u>86,534</u>	<u>214,991</u>
Loans forgiven	(14,658)	-	(14,658)
Use of funds for special projects	<u>-</u>	<u>(9,579)</u>	<u>(9,579)</u>
Balance as of June 30, 2019	<u>\$ 113,799</u>	<u>\$ 76,955</u>	<u>\$ 190,754</u>

During the year ended June 30, 2019, \$ 14,658 was forgiven by the Organization.

During the year ended June 30, 2018, \$ 52,461 was forgiven by the Organization.

The Organization is programming the use of cash on hand with the pre-approval of the Department of Community and Economic Development.



**PENNSYLVANIA DOWNTOWN CENTER, INC.**  
**Notes to Consolidated Financial Statements**

**NOTE 10 LIQUIDITY AND AVAILABILITY**

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$	507,043
Less:		
Cash held for future donor specified expenditures		(2,000)
Grants and contracts receivables		149,388
	\$	<u>667,587</u>

Cash in the amount of \$ 2,000 at June 30, 2019 has been excluded for it has been designated by donors for a certain purpose as described in note 11.

The Center has an approved grant for the upcoming year, the amount is as follows:

Approved Grants		
PA Department of Community & Economic Development	\$	429,821

The grant is approved for three more years.

In evaluating the adequacy of financial assets to meet cash needs for general expenditures within one year, the Center considers the following:

2019-2020 Budgeted Expenses	\$	733,747
Principle payments on loans		<u>4,422</u>
	\$	<u>738,169</u>

Total Days per year	365
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Average Daily Expenditures	\$	2,022
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		Days on Hand*
Financial assets available within one year for general expenditures	\$	667,587
Approved Grants		<u>429,821</u>
Total	\$	<u>1,097,408</u>
		<u>330</u>
		<u>213</u>
		<u>543</u>

\*Days in hand is calculated based upon average daily expenditures.

**PENNSYLVANIA DOWNTOWN CENTER, INC.**  
**Consolidating Statement of Financial Position**  
**June 30, 2019**

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**NOTE 10 LIQUIDITY AND AVAILABILITY (CONTINUED)**

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The Center receives memberships available for general and program expenditures which are ongoing and central to its yearly operations. The Center has an annual convention and receives registrations and sponsorships available for convention expenses, as well as general and program expenditures. The Center maintains adequate liquid assets to fund near-term operating needs and maintaining reserves to provide reasonable assurance that long-term obligations will be met. As more fully described in Note 4, the Organization has a line of credit in the amount of \$ 40,000, which it could draw upon in the event of an unanticipated liquidity need.

**NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS**

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The Organization has received a \$ 1,000 contribution in both 2019 and 2018. The contributions are to be used for underwriting the Samuel Sloan Auchincloss Award for "Most Outstanding Marketing and Communications." This is reported in net assets with donor restrictions.

**NOTE 12 RESTATEMENT OF FINANCIAL STATEMENTS**

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The Organization has restated the June 30, 2018 financial statements to reflect a restricted contribution to be used for underwriting the Samuel Sloan Auchincloss Award for "Most Outstanding Marketing and Communications." This resulted in presenting \$ 1,000 of donor-restricted net assets as of June 30, 2018. This change in presentation did not impact total assets, liabilities, net assets or the change in net assets.

**NOTE 13 SUBSEQUENT EVENTS**

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The Organization has evaluated events and transactions subsequent to June 30, 2019 through October 21, 2019, the date these financial statements were available to be issued. Based on the definitions and requirements of generally accepted accounting principles, management has not identified any events that occurred subsequent to June 30, 2019 that require recognition or disclosure in the financial statements.

**PENNSYLVANIA DOWNTOWN CENTER, INC.**  
**Consolidating Statement of Financial Position**  
**June 30, 2019**

	Pennsylvania Downtown Center, Inc.	Keystone Core Services, Inc.	Eliminations	Consolidated
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 403,228	\$ 26,860	\$ -	\$ 430,088
Grants and other receivables	149,634	20,137	(20,383)	149,388
Prepaid expenses	13,155	-	-	13,155
Total current assets	<u>566,017</u>	<u>46,997</u>	<u>(20,383)</u>	<u>592,631</u>
<b>Other Assets</b>				
Cash and cash equivalents - grantor payable	76,955	-	-	76,955
Loans receivable	113,799	-	-	113,799
Finance lease right-of-use asset	8,750	-	-	8,750
Property and equipment, net	16,910	-	-	16,910
Total other assets	<u>216,414</u>	<u>-</u>	<u>-</u>	<u>216,414</u>
<b>TOTAL ASSETS</b>	<u>\$ 782,431</u>	<u>\$ 46,997</u>	<u>\$ (20,383)</u>	<u>\$ 809,045</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Vehicle loan payable - current	\$ 2,719	\$ -	\$ -	\$ 2,719
Finance lease liability - current	1,703	-	-	1,703
Accounts payable and accrued expenses	28,613	19,746	(20,383)	27,976
Accrued payroll and vacation	5,476	-	-	5,476
Deferred membership fees	28,950	-	-	28,950
Deferred C.R.C. workshops' revenue	3,390	-	-	3,390
Deferred revenue	64,158	-	-	64,158
Grantor payable	76,955	-	-	76,955
Total Current Liabilities	<u>211,964</u>	<u>19,746</u>	<u>(20,383)</u>	<u>211,327</u>
<b>Long-Term Liabilities</b>				
Finance lease liability	4,541	-	-	4,541
Vehicle loan payable	1,384	-	-	1,384
Grantor payable	113,799	-	-	113,799
Total Long-Term Liabilities	<u>119,724</u>	<u>-</u>	<u>-</u>	<u>119,724</u>
<b>Total Liabilities</b>	<u>331,688</u>	<u>19,746</u>	<u>(20,383)</u>	<u>331,051</u>
<b>Net Assets</b>				
Without donor restriction	448,743	27,251	-	475,994
With donor restriction	2,000	-	-	2,000
Total net assets	<u>450,743</u>	<u>27,251</u>	<u>-</u>	<u>477,994</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 782,431</u>	<u>\$ 46,997</u>	<u>\$ (20,383)</u>	<u>\$ 809,045</u>

**PENNSYLVANIA DOWNTOWN CENTER, INC.**  
**Consolidating Statement of Financial Position**  
**June 30, 2018**

	<b>Pennsylvania Downtown Center, Inc.</b>	<b>Keystone Core Services, Inc.</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 386,029	\$ 29,741	\$ -	\$ 415,770
Grants and other receivables	165,392	7,500	(12,246)	160,646
Prepaid expenses	17,345	-	-	17,345
Total current assets	<u>568,766</u>	<u>37,241</u>	<u>(12,246)</u>	<u>593,761</u>
<b>Other Assets</b>				
Cash and cash equivalents - grantor payable	86,534	-	-	86,534
Loans receivable	128,457	-	-	128,457
Finance lease right-of-use asset	7,875	-	-	7,875
Property and equipment, net	8,527	-	-	8,527
Total other assets	<u>231,393</u>	<u>-</u>	<u>-</u>	<u>231,393</u>
<b>TOTAL ASSETS</b>	<u>\$ 800,159</u>	<u>\$ 37,241</u>	<u>\$ (12,246)</u>	<u>\$ 825,154</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities</b>				
Vehicle loan payable - current	\$ 2,683	-	-	\$ 2,683
Finance lease liability - current	1,608	-	-	1,608
Accounts payable and accrued expenses	23,141	12,246	(12,246)	23,141
Accrued payroll and vacation	5,284	-	-	5,284
Deferred membership fees	24,325	-	-	24,325
Deferred C.R.C. workshops' revenue	3,390	-	-	3,390
Deferred revenue	35,742	-	-	35,742
Deferred contracts	5,217	-	-	5,217
Grantor payable	101,192	-	-	101,192
Total liabilities	<u>202,582</u>	<u>12,246</u>	<u>(12,246)</u>	<u>202,582</u>
<b>Long-Term Liabilities</b>				
Finance lease liability	6,245	-	-	6,245
Vehicle loan payable	4,071	-	-	4,071
Grantor payable	113,799	-	-	113,799
Total Long-Term Liabilities	<u>124,115</u>	<u>-</u>	<u>-</u>	<u>124,115</u>
<b>Total Liabilities</b>	<u>326,697</u>	<u>12,246</u>	<u>(12,246)</u>	<u>326,697</u>
<b>Net Assets</b>				
Without donor restriction	472,462	24,995	-	497,457
With donor restriction	1,000	-	-	1,000
Total net assets	<u>473,462</u>	<u>24,995</u>	<u>-</u>	<u>498,457</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 800,159</u>	<u>\$ 37,241</u>	<u>\$ (12,246)</u>	<u>\$ 825,154</u>

**PENNSYLVANIA DOWNTOWN CENTER, INC.**  
**Consolidating Statement of Activities**  
**Year Ended June 30, 2019**

	<b>Pennsylvania Downtown Center, Inc.</b>	<b>Keystone Core Services, Inc.</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>NET ASSETS WITHOUT DONOR RESTRICTION</b>				
<b>SUPPORT AND REVENUE</b>				
Grant revenue	\$ 476,009	\$ -	\$ -	\$ 476,009
Loan forgiveness revenue	14,658	-	-	14,658
Conferences	90,266	-	-	90,266
Memberships	43,687	-	-	43,687
Contributions	1,937	-	-	1,937
Workshops	5,675	-	-	5,675
Miscellaneous	839	-	-	839
Service revenue	59,715	12,637	(8,137)	64,215
Investment income	155	-	-	155
Total support and revenue	<u>692,941</u>	<u>12,637</u>	<u>(8,137)</u>	<u>697,441</u>
<b>EXPENSES</b>				
Community development programs	573,841	-	(8,137)	565,704
General and administrative	142,158	10,381	-	152,539
Fundraising	661	-	-	661
Total expenses	<u>716,660</u>	<u>10,381</u>	<u>(8,137)</u>	<u>718,904</u>
Change in net assets without donor restriction	(23,719)	2,256	-	(21,463)
<b>NET ASSETS WITH DONOR RESTRICTION</b>				
Contribution	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Change in net assets with donor restriction	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Change in net assets	(22,719)	2,256	-	(20,463)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>473,462</u>	<u>24,995</u>	<u>-</u>	<u>498,457</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 450,743</u>	<u>\$ 27,251</u>	<u>\$ -</u>	<u>\$ 477,994</u>

**PENNSYLVANIA DOWNTOWN CENTER, INC.**  
**Consolidating Statement of Activities**  
**Year Ended June 30, 2018**

	<b>Pennsylvania Downtown Center, Inc.</b>	<b>Keystone Core Services, Inc.</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>NET ASSETS WITHOUT DONOR RESTRICTION</b>				
<b>SUPPORT AND REVENUE</b>				
Grant revenue	\$ 493,452	\$ -	\$ -	\$ 493,452
Loan forgiveness revenue	52,461	-	-	52,461
Conferences	72,788	-	-	72,788
Memberships	40,933	-	-	40,933
Contributions	1,170	-	-	1,170
Workshops	4,315	-	-	4,315
Miscellaneous	4,204	-	-	4,204
Service revenue	34,586	1,960	-	36,546
Rent	2,400	-	-	2,400
Investment income	97	-	-	97
Total support and revenue	<u>706,406</u>	<u>1,960</u>	<u>-</u>	<u>708,366</u>
<b>EXPENSES</b>				
Community development programs	591,917	-	-	591,917
General and administrative	112,953	300	-	113,253
Fundraising	6,471	-	-	6,471
Total expenses	<u>711,341</u>	<u>300</u>	<u>-</u>	<u>711,641</u>
Change in net assets without donor restriction	(4,935)	1,660	-	(3,275)
<b>NET ASSETS WITH DONOR RESTRICTION</b>				
Contribution	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Change in net assets with donor restriction	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Change in net assets	(3,935)	1,660	-	(2,275)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>477,397</u>	<u>23,335</u>	<u>-</u>	<u>500,732</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 473,462</u>	<u>\$ 24,995</u>	<u>\$ -</u>	<u>\$ 498,457</u>

**PENNSYLVANIA DOWNTOWN CENTER, INC.**  
**Consolidating Statement of Cash Flows**  
**Year Ended June 30, 2019**

	<b>Pennsylvania Downtown Center, Inc.</b>	<b>Keystone Core Services, Inc.</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Change in net assets	\$ (22,719)	\$ 2,256	\$ -	\$ (20,463)
Adjustments to reconcile change in net assets to net cash provided (used) by net cash provided (used) by operating activities:				
Depreciation and amortization	7,071	-	-	7,071
(Increase) decrease in:				
Grants and other receivables	15,758	(12,637)	-	3,121
Prepaid expenses	4,190	-	-	4,190
Increase (decrease) in:				
Accounts payable and accrued expenses	5,472	7,500	-	12,972
Accrued payroll and vacation	192	-	-	192
Deferred membership fees	4,625	-	-	4,625
Deferred contracts	(5,217)	-	-	(5,217)
Deferred revenue	28,416	-	-	28,416
Grantor payable	(9,579)	-	-	(9,579)
Net cash provided (used) by operating activities	<u>28,209</u>	<u>(2,881)</u>	<u>-</u>	<u>25,328</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property and equipment	<u>(16,329)</u>	<u>-</u>	<u>-</u>	<u>(16,329)</u>
Net cash used by investing activities	<u>(16,329)</u>	<u>-</u>	<u>-</u>	<u>(16,329)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Reduction of vehicle loan	(2,651)	-	-	(2,651)
Reduction of finance lease liability	<u>(1,609)</u>	<u>-</u>	<u>-</u>	<u>(1,609)</u>
Net cash used by financing activities	<u>(4,260)</u>	<u>-</u>	<u>-</u>	<u>(4,260)</u>
Net increase (decrease) in cash	7,620	(2,881)	-	4,739
<b>CASH, BEGINNING</b>	<u>472,563</u>	<u>29,741</u>	<u>-</u>	<u>502,304</u>
<b>CASH, ENDING</b>	<u>\$ 480,183</u>	<u>\$ 26,860</u>	<u>\$ -</u>	<u>\$ 507,043</u>
Cash and cash equivalents	\$ 403,228	\$ 26,860	\$ -	\$ 430,088
Cash and cash equivalents - Grantor payable	<u>76,955</u>	<u>-</u>	<u>-</u>	<u>76,955</u>
Total cash and cash equivalents	<u>\$ 480,183</u>	<u>\$ 26,860</u>	<u>\$ -</u>	<u>\$ 507,043</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>				
Cash paid for interest	<u>\$ 548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 548</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES</b>				
<i>Non-cash loan forgiveness</i>				
Loans forgiven by grantor	<u>\$ (14,658)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,658)</u>
Loans forgiven by grantee	<u>\$ 14,658</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,658</u>

**PENNSYLVANIA DOWNTOWN CENTER, INC.**  
**Consolidating Statement of Cash Flows**  
**Year Ended June 30, 2018**

	<b>Pennsylvania Downtown Center, Inc.</b>	<b>Keystone Core Services, Inc.</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Change in net assets	\$ (3,935)	\$ 1,660	\$ -	\$ (2,275)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:				
Depreciation and amortization	2,478	-	-	2,478
(Increase) decrease in:				
Grants and other receivables	140,129	10,000	-	150,129
Prepaid expenses	(12,368)	-	-	(12,368)
Increase (decrease) in:				
Accounts payable and accrued expenses	(17,418)	-	-	(17,418)
Accrued payroll and vacation	(1,189)	-	-	(1,189)
Deferred membership fees	3,775	-	-	3,775
Deferred contracts	5,217	-	-	5,217
Deferred revenue	35,742	-	-	35,742
Grantor payable	20,077	-	-	20,077
Net cash provided by operating activities	<u>172,508</u>	<u>11,660</u>	<u>-</u>	<u>184,168</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property and equipment	(9,176)	-	-	(9,176)
Net cash used by investing activities	<u>(9,176)</u>	<u>-</u>	<u>-</u>	<u>(9,176)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from loan payable	8,050	-	-	8,050
Reduction of vehicle loan	(1,296)	-	-	(1,296)
Reduction of finance lease liability	(897)	-	-	(897)
Net cash provided by financing activities	<u>5,857</u>	<u>-</u>	<u>-</u>	<u>5,857</u>
Net increase in cash	169,189	11,660	-	180,849
<b>CASH, BEGINNING</b>	<u>303,374</u>	<u>18,081</u>	<u>-</u>	<u>321,455</u>
<b>CASH, ENDING</b>	<u>\$ 472,563</u>	<u>\$ 29,741</u>	<u>\$ -</u>	<u>\$ 502,304</u>
Cash and cash equivalents	\$ 386,029	\$ 29,741	\$ -	\$ 415,770
Cash and cash equivalents - grantor payable	<u>86,534</u>	<u>-</u>	<u>-</u>	<u>86,534</u>
Total cash and cash equivalents	<u>\$ 472,563</u>	<u>\$ 29,741</u>	<u>\$ -</u>	<u>\$ 502,304</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>				
Cash paid for interest	<u>\$ 378</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 378</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES</b>				
<i>Non-cash loan forgiveness</i>				
Loans forgiven by grantor	<u>\$ (52,461)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (52,461)</u>
Loans forgiven by grantee	<u>\$ 52,461</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,461</u>
<i>Non-cash purchases of property and equipment</i>				
Right-of-use asset	<u>\$ 8,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,050</u>
Right-of-use-asset liability	<u>\$ (8,050)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,050)</u>